BBH Partner Fund – International Equity

Quarterly Fund Update / 2Q 2022

For the second quarter ended June 30, 2022, the BBH Partner Fund – International Equity (the "Fund") returned -13.78%. Over the same period, the MSCI EAFE Index[1] (the "Index") returned -14.51%.

Select Equity Group, L.P., the Fund's sub-adviser, assumed management of the Fund on February 24, 2017. Since that date through June 30, 2022, the Fund has generated a net annualized return of +4.83%, outperforming the Index's annualized return of +3.56% by approximately +130 basis points[2] ("bps") per annum, and a net cumulative return of +29.12%, outperforming the Index's cumulative return of +20.84% by approximately +830 bps. Since the Fund's inception on April 1, 1995 through June 30, 2022, the Fund has generated a net annualized return of +4.95%, outperforming the Index's annualized return of +4.37% by approximately +60 bps, and a net cumulative return of +344.82%, outperforming the Index's cumulative return of +232.59% by approximately +11,220 bps.

Performance
As of June 30, 2022

	Total Returns		Average Annual Total Returns			
	3 Mo.*	**YTD***	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Class I	-13.78%	-24.35%	-27.70%	0.19%	3.36%	5.50%
MSCI EAFE Index	-14.51%	-19.57%	-17.77%	1.07%	2.20%	5.40%

Class I: Total Expense Ratio (%): 0.68

* Returns are not annualized.

Performance data quoted represents past performance. Past performance does not guarantee future results, and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. For the most recent month-end performance, call 1 (800) 625-5769. *Fund shares redeemed within 30 days of purchase are subject to a redemption fee of 2.00%.*

Sources: BBH & Co. and MSCI EAFE

Introduction

The second quarter of 2022 saw a continuation of the risk-off flight from international equities that began in mid-February with news of an imminent Russian invasion of Ukraine. Bloomberg indices measuring aggregate stress levels in money, bond and equity markets plummeted by more in the first half of 2022 than in any period other than the Global Financial Crisis (GFC) of 2008-2009, the European sovereign debt crisis of 2011 and the pandemic-induced slump of early 2020. Inflation continued to spike with 2022 consensus year-end inflation expectations having soared from 4.4% to 7.5% in the US, from 2.5% to 7.2% in the eurozone and from 4.0% to 8.2% in the UK. Exacerbated by the Russia/Ukraine conflict, inflationary pressures outside of the US continue to be led by energy prices (Brent crude oil rose +48% in the first half of 2022) and commodity prices (the UN Food and Agriculture Organization Food Price Index gained +15%). Central banks have been forced to respond aggressively to bring inflation back under control. As of June 30th, 12-month forward market-implied policy rates had jumped from 0.8% to 3.3% in the US, from -0.4% to 1.8% in Europe and from 0.6% to 3.0% in the UK. In stark contrast to the GFC, sovereign bonds fell in tandem with equities: The iShares International Treasury Bond ETF declined -18.7% (in USD) during the first half of the year, actually surpassing the MSCI ACWI ex US Index's[3] -18.4% decline.

Against this backdrop, equities have seen significant valuation multiple compression: The forward 12-month price-to-earnings (P/E) ratio[4] of the MSCI ACWI ex US Index ended the second quarter at 11.4x, below its 2018 low of 11.6x. Capital flight from equities was particularly pronounced in Europe, as an unprecedented $53 billion of capital flowed out of European equities during the first half of 2022 — far exceeding the levels of the GFC and the European sovereign debt crisis. In this tumultuous environment, no financial asset class was safe except for cash held in US dollars (with even gold losing value during the period). The USD rose +8% vs. the EUR, +11% vs. the GBP and +18% vs. the JPY, leaving those currencies undervalued on a purchasing power parity basis by -36%, -19% and -35%, respectively.

The market carnage described above stands in stark contrast to the fundamental performance of our portfolio companies this year. During the second quarter, our businesses reported quarterly results in which their revenues once again grew by an average rate of 17% year-over-year (YoY), while their operating profit margins expanded (despite the rampant operating cost inflation plaguing so many public companies this year), such that their profits

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1 The MSCI EAFE Index is designed to represent the performance of large and mid cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, and excluding the US and Canada. The Index is available for a number of regions and market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. The Index is not available for direct investment.

2 A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

3 The MSCI ACWI ex US Index represents large and mid cap securities across 22 developed-market countries (excluding the US) and 25 emerging-market countries. The Index covers approximately 85% of the global equity opportunity set outside the US. The Index is not available for direct investment.

4 The P/E ratio is calculated by dividing the stock price by the projected cash earnings per share over the next 12 months.

grew more than 19% vs. the prior year. The resilient growth and profitability have continued after quarter end. As of this writing, more than 80% of our holdings have reported their June quarter results with revenue and operating profit growing by an average of 19% and 20%, respectively. With share prices having derated in the broad-based equity market sell-off, and with company profitability and cash flow continuing to grow strongly, our portfolio ended the second quarter trading at the most attractive valuation level we have seen in years. We ended the period substantially fully invested, continuing to take advantage of share-price weakness to increase equity exposure as many of the world's highest-quality companies went "on sale" in the sell-off. As we noted in our first quarter letter, we aim to increase portfolio quality and take advantage of historically attractive valuations, while avoiding many of the areas of the global economy under the greatest pressure today. Russia and Ukraine represented just 1% of our portfolio companies' profits in 2021. We continue to have no exposure to the European industrial sectors — chemicals, steel, cement and automakers — suffering the most from soaring energy costs. We estimate that our portfolio companies generated nearly 80% of their "look-through" revenue outside the eurozone. Our exposure to the emerging market consumer (who is suffering disproportionately from spiking food and energy costs) is historically low relative to our strategy's history. Given the variety of headwinds plaguing the global economy today, we believe it has never been more important to focus on quality: We continue to invest only in businesses we believe may grow revenues, profits and cash flows at double-digit multi-year rates even in the most turbulent of environments.

Performance Review

In the second quarter of 2022, we had two positions that contributed more than +0.20% each to the Fund's gross performance, neither of which contributed more than +0.50%. Conversely, we had 29 positions that detracted greater than -0.20% each, nine of which detracted more than -0.50% each.

Our largest positive contributor to performance during the quarter was **JD.com** (9618 HK). JD is the second-largest e-commerce company in China with 25%-30% share of the country's online gross merchandise value. JD is differentiated compared to its leading rival, which has 50%-55% market share, by virtue of its first-party inventory and fulfillment business model, sacrificing lower profit margins for superior product quality and delivery speed. JD's ability to fulfill same-day orders across a wide variety of product categories has allowed it to steadily take share from its main competitor, particularly during the pandemic, while improving profitability and free-cash-flow (FCF) margins.[5] The Company's results have been strong: The business grew total revenue 28% YoY in FY 2021, while maintaining positive profitability even as the business lapped difficult pandemic-related comparisons. Management's guidance for FY 2022 was likewise encouraging, implying continued share gains and good margin progression, thanks to stable profitability in the core retail business and narrowing losses in adjacent businesses, such as JD Logistics.

Top 10 Companies As of June 30, 2022	
JD.com Inc	4.8%
Brookfield Asset Management Inc	4.7%
CRH PLC	4.5%
Safran SA	4.0%
AIA Group Ltd	4.0%
Fidelity National Information Services	3.7%
Alcon Inc	3.6%
Partners Group Holding AG	3.1%
Constellation Software Inc	3.0%
Keyence Corp	2.9%
Total	**38.3%**

Reported as a percentage of total portfolio.
Holdings are subject to change.

During the most recent period, the Company reported first quarter results that demonstrated good progress towards management's full-year targets with revenue growing 18% YoY and operating profit growing 55% YoY, despite headwinds from China's renewed COVID-19 lockdowns. After being caught up in the broad-based capitulation of the Chinese equity market late in the first quarter, JD's shares recovered strongly during the second quarter, contributing approximately +35 bps to performance. As of this writing, the Company has now reported its second quarter 2022 results. The backdrop to the quarter offered a strong test of our investment thesis with widespread economic lockdowns due to China's ongoing "zero-COVID" policy resulting in plummeting economic activity in much of the country during the June 2022 quarter. In this environment, JD reported its second-highest quarterly profit ever (well ahead of our and consensus expectations) with operating profit growing more than 100% YoY thanks to operating leverage in the core business (which continues to rapidly gain market share from its competitor) and disciplined cost controls.

Our largest detractor during the quarter was **Brookfield Asset Management** (BAM US), which we last wrote about in the second quarter of 2021. As a refresher, BAM is an alternative asset manager based in Canada with more than $500 billion in assets under management (AUM). BAM has excelled for decades in niche categories, such as commercial real estate, renewable energy, infrastructure and industrial services, with a history of buying irreplaceable physical assets that other investors lack the scale or acumen to underwrite — such as Indian telecommunications infrastructure or Brazilian natural gas pipelines — while targeting absolutely attractive mid- to high-teens internal rates of return. This differentiated focus, overseen by strong leadership under CEO Bruce Flatt, has resulted in an attractive multi-year AUM compound annual growth rate (CAGR) of 18%, driving annual earnings growth in the mid-teens. In addition to this enticing financial profile, we previously described some of BAM's near-term appeal, including its focus on

[5] FCF margin is calculated by dividing a Company's available cash after paying its operating expenses and capital expenditures by its total revenue.

asset classes that should be inflation beneficiaries, plus the ongoing recovery in commercial real estate as workers return (at least partially) to office buildings.

Following our last profile of BAM, the Company finished FY 2021 on a strong note, growing fee revenues 24% YoY and fee-related earnings 33% YoY. During the first quarter, this positive trajectory continued: BAM grew fee revenues and fee-related earnings more than 20% YoY. Despite this ongoing strong fundamental performance, BAM saw its share price decline in the quarter, as did its publicly traded alternative asset management peers. In the nearly two decades of studying this value chain, we have observed that, in broad-based equity sell-offs, the market often initially discards alternative asset managers as "levered equity proxies." These have historically been excellent times to buy these companies on weakness, given the resilience of their cash flows (thanks to long-term, locked-up, fee-bearing assets), their long-term runway to continue to grow assets at double-digit rates and their historical proclivity to deploy capital at high rates of return in periods of market stress. During the second quarter, BAM's shares declined -21% (in USD), detracting roughly -100 bps from the Fund's performance. Notably, management has also committed to spinning off a 25% stake to shareholders of its third-party, fee-generating asset manager by the end of 2022. This transaction has the potential to unlock significant embedded value for BAM shareholders, as some industry observers have estimated a market capitalization for the spin-off company comparable to BAM's total market capitalization as of quarter end. We added to our position on share-price weakness, and BAM ended the quarter as our second-largest holding.

Portfolio Developments

At the end of the second quarter, our portfolio's valuation represented approximately 45%-50% upside to our estimate of fair value, compared with approximately 30%-35% upside last quarter. We finished the quarter with roughly 4% of the portfolio in cash, up modestly from 3% last quarter, while owning 48 companies, down from 49. Our 15 largest positions at quarter end represented 52% of the Fund, while our 20 largest positions collectively represented 63% of the portfolio.

During the quarter, we added to our position in **Partners Group** (PGHN SW), a Switzerland-based alternative asset manager with over $100 billion in AUM. Founded in 1996 by a trio of former Goldman Sachs financiers, Partners began as a secondary investment firm focused on buying private stakes held by other private equity firms. Over time, the Company has diversified into direct private equity investments (beginning in 1999), private infrastructure (2001) and private debt (2003). Partners went public in 2006 (although the three co-founders still control roughly 30% of shares) and has continued to grow robustly — more than quadrupling AUM over the last decade while compounding earnings in the mid-teens annually. While more than half of the Company's assets are invested in private equity, the remaining 45% includes private debt, real estate and infrastructure, making the business more diversified than a typical private equity firm. Partners also eschews large funds in favor of client-customized portfolios, unique among its peers and avoiding overreliance on raising mega-funds. Importantly, the Company's investment track record has been consistently outstanding across asset classes and fund vintages, driven by its global reach, outstanding company culture and a proven history of opportunistically buying into weakness and selling into strength.

We find Partners attractive for many of the same reasons as Brookfield Asset Management and several US competitors: As a whole, alternative asset managers have been gaining share of global investible capital, and the market has increasingly consolidated around a handful of leading franchises with long, differentiated and, most importantly, repeatable track records. While private equity fundraising is cyclical, 85% of Partners' AUM is locked up for 10-12 years in closed-end vehicles and over 80% of revenue is generated from predictable management fees. After years of benign exits and frothy deal activity, we would expect slower growth in the private equity industry in the near term but, ultimately, view Partners as a "cyclical thriver" that should be able to take share while still benefiting from secular growth trends over the long term. During the quarter, Partners derated even more than its North American counterparts, down -28% (in USD), due to European-specific recession fears, and we took the opportunity to increase our position by roughly one-third. Partners ended the quarter as a top 10 holding.

The Investment Environment

In our first quarter letter a few months ago, we wrote more extensively than usual (given our bottom-up, fundamental investment philosophy) about our views on the macro environment. Geopolitical and macroeconomic uncertainty remains unusually high, and the range of potential outcomes is particularly wide. There is no shortage of risks facing investors today and no guarantee that any (let alone all) get better before they get worse. Inflation remains very high, exacerbated by the energy and commodity shocks that followed Russia's invasion of Ukraine. Rising interest rates, quantitative tightening and generally tightening financial conditions have investors questioning the right multiple for growth companies. Based on consensus expectations, recession is probable in Europe and the US, and China remains a wild card both economically (due to the "zero-COVID" policy) and geostrategically (vis-à-vis the West, as well as Taiwan). Income inequality continues to worsen, resulting in the rise of nationalist populism. After years of equity bull markets driven by fiscal and monetary profligacy, investors can no longer rely on a macro policy tailwind. However, one thing that has not changed as we confront this new Darwinian era is the power of compound growth.

Since 2007, just prior to the GFC, the companies in the MSCI ACWI ex US Index have grown earnings per share (EPS) on a weighted-average basis at a CAGR of less than 1%. Over the same period, Select Equity's International Approved List — which consists of approximately 250 of what we believe are great businesses — has achieved a median EPS CAGR of 10%. We believe these companies comprise an investment opportunity set as rich in terms of quality and growth as that on offer in the US, they provide valuable diversification benefits, they are available at what we regard as highly attractive valuations and many are denominated in currencies that are themselves undervalued. Typically, they are either secular growers (benefiting from strong, non-cyclical demand and protected by barriers to competition) or they are riding a penetration tailwind (meaning their addressable markets are growing as a percentage of the overall market). Most are steadily gaining market share, enjoying pricing power (such that organic growth surpasses unit growth), maintaining or enhancing returns on capital by redeploying FCF into capex or acquisitions or some combination of the above. We refer to this as "making your own luck," and, in a world in which nothing can be taken for granted, we believe that such businesses could compound their way to outperformance over the long term almost regardless of starting valuation.

With the MSCI ACWI ex US Index ending the quarter -21.1% below last year's peak — and with many high-quality stocks down substantially more — we view the breadth and depth of opportunities in our portfolio to be as attractive as we have seen in years. Market psychology, backed by fund manager surveys, indicates that sentiment (particularly regarding Europe) is more negative than at any time since the GFC. Clearly, a great deal of bad news has been discounted. The balance between risk and reward, in our view, has become skewed strongly to the upside. Our businesses continue to grow at double-digit rates; as we noted in our letter one quarter ago, our current portfolio holdings in aggregate grew their revenue, operating profits and FCF in each of the last two global recessions (2008-2009 and 2020-2021). The valuation of our portfolio ended the period trading at a 4%-5% FCF yield on current cash earnings, which we believe has the potential to grow at double-digit rates for the foreseeable future. The portfolio's discount to our estimate of its intrinsic value at quarter end was wider than at any point in the strategy's history, including the depth of the March 2020 pandemic market sell-off. While we expect markets will remain turbulent for the foreseeable future, we are confident in our businesses and excited by the share prices at which they trade today. As ever, we thank you for your ongoing partnership and for the privilege of managing capital on your behalf.

The Fund seeks to generate attractive returns over time but does not attempt to mirror a benchmark or index. The composition of the MSCI EAFE Index is materially different than the Fund's holdings.

Opinions, forecasts, and discussions about investment strategies represent the author's views as of the date of this commentary and are subject to change without notice. References to specific securities, asset classes, and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as recommendations specific securities, asset classes, and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as recommendations.

INDEX DEFINITIONS

S&P 500 is an unmanaged weighted index of 500 stocks providing a broad indicator of stock price movements. The composition of the index is materially different than the Fund's holdings. The index is not available for direct investment.

RISKS

Investors in the Fund should be able to withstand short-term fluctuations in the equity markets in return for potentially higher returns over the long term. The value of portfolios changes every day and can be affected by changes in interest rates, general market conditions and other political, social and economic developments.

Foreign investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging markets securities can be significantly more volatile than the prices of securities in developed countries and currency risk and political risks are accentuated in emerging markets. The Fund is 'non-diversified' and may assume large positions in a small number of issuers which can increase the potential for greater price fluctuation. The Fund also invests in derivative instruments, investments whose values depend on the performance of the underlying security, assets, interest rate, index, or currency and entail potentially higher volatility and risk of loss compared to traditional stock or bond investments.

Asset allocation decisions, particularly large redemptions, made by BBH&Co., whose discretionary investment advisory clients make up a large percentage of the Fund's shareholders, may adversely impact remaining Fund shareholders.

For more complete information, visit www.bbhfunds.com for a prospectus. You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.

Shares of the Fund are distributed by ALPS Distributors, Inc. and is located at 1290 Broadway, Suite 1000, Denver, CO 80203.

Select Equity Group, L.P. acts as the sub-adviser to the Fund.

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